



APPROVED 10-21-09

**AUDIT COMMITTEE
REGULAR MEETING
MONDAY SEPTEMBER 28, 2009
CITY HALL, KIVA CONFERENCE ROOM
3939 NORTH DRINKWATER BLVD
SCOTTSDALE, AZ 85251**

PRESENT: Robert Littlefield, Chair
Lisa Borowsky, Councilwoman
Suzanne Klapp, Councilwoman

STAFF: Sharron Walker, City Auditor
Joyce Gilbride, City Auditor's Office
Joanna Munar, City Auditor's Office
Kim Prendergast, City Auditor's Office
Laverne Parker Diggs, Human Resources Executive Director
Carla Coward, Human Resources
Marshall Brown, Water Resources Department Executive Director
Dave Petty, Water Resources Department
Richard Chess, Financial Services Department

Call to Order/Roll Call

Chair Littlefield called the meeting to order at 4:06 p.m. All members of the Committee were present.

1. Approval of Minutes from the Regular Meeting on August 21, 2009

COUNCILWOMAN KLAPP MOVED APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF AUGUST 21, 2009. COUNCILWOMAN BOROSKY SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).

2. Discussion and possible direction to staff regarding the City Attorney and City Treasurer recruitments

Ms. Parker Diggs reported that the City Attorney position has been advertized for about a week and they have received a number of resumés from local applicants. Staff have provided the Committee Members with a draft recruitment search plan and plan to conduct a first review of resumés on October 12. She recalled that last time the Committee Members wanted to see all the resumés and applications. The Committee Members agreed to see all the applications, select ten candidates for interview and pass the top three candidates to City Council. Ms. Parker Diggs commented that they are faced with a tight time frame, because the goal is for Council to appoint the City Attorney on December 8. She confirmed to Chair Littlefield that they advertised with the Arizona Bar Association.

Committee Member Borowsky inquired about advertising the position outside Arizona. Chair Littlefield pointed out that the appointee must either be a member of the Arizona Bar or become one. Ms. Parker Diggs noted that the position is listed on the HR Web and might be seen by people who are members of the Arizona Bar Association currently living out of state.

Chair Littlefield stated that no action is planned for recruiting the City Treasurer until after the related ordinances have been modified.

3. Discussion and possible action on Audit Report No. 0910, Water System Security

Senior auditor Ms. Kim Prendergast explained the vulnerability assessment and the findings. Overall they found that the City is using the vulnerability assessment appropriately. However additional measures need to be taken before all significant vulnerabilities are addressed. Due to the sensitive nature of water system security, specific details are excluded from the report and today's presentation.

The first audit recommendation is to implement interim security improvements at a specific water resources location. Improvements recommended in the vulnerability assessment were not completed at this location due to planned expansion and other improvements. However there are short-term measures that can be taken at the location.

Secondly, it was found that due to a technical difficulty, water resources staff were not following their procedures manual in verifying delivery driver identification. The auditors recommend that the department follow its own procedures or determine if an alternative method should be required.

Management has agreed with the recommendations. Ms. Prendergast noted that Mr. Marshall Brown, Executive Director of Water Resources, and Mr. Dave Petty, Water/Waste Water Operations Director were in attendance.

Committee Member Klapp asked how they plan to address the identification of delivery drivers. Mr. Brown said they are planning to assign responsibilities to specific staff, rather than just having a general policy. They are also increasing security presence at the site. In response to a follow-up question from Committee Member Klapp, he explained that the biggest challenge with the policy is the policy itself, which requires them to obtain a faxed copy of the driver's license. Staff felt the faxed representation of

the driver's license was not clear. Because it was often hard to positively identify an individual from the faxed image, staff felt they did not have an effective policy in place. So they plan to revise the policy.

Committee Member Klapp suggested that a scanned image of a driver's license would be clearer. Mr. Brown said that is a potential technology. Mr. Petty explained they will increase enforcement with security guards on site. Before a delivery vehicle enters the site, security personnel will check the person's identity against the driver's license and identification badge.

Mr. Brown summarized that the biggest policy change will be keeping drivers off the site until their identity has been verified. Staff are continuing to implement additional security precautions throughout the entire system

4. Discussion and possible direction to staff regarding Quarterly Report on Audit Follow-ups

City Auditor Sharron Walker announced that this is the first of the quarterly follow-ups on audit recommendations. The memo in the packet summarizes the status of audit recommendations based on management self-reports. By the next report, which she expects to bring to the Committee in January, the auditors will have done some verification of the management reports.

According to management, about 67 percent of the concerns have been addressed and a further 10 percent are in progress. Some of the concerns that have not been addressed are now moot because the programs were discontinued. The management reports indicate they are making good overall progress.

She elaborated that there are 445 recommendations for this five-year period. For the next quarterly report, staff intends to narrow the report down to just the high priority items. She inquired whether the reports give enough information for the Committee's purposes. After a brief discussion, the consensus of the Committee was that the report detail was sufficient.

5. Discussion regarding budget status

Ms. Walker told the Committee that by the end of September the Office will have expended 24 percent of its budget, so they are right on target for the first quarter. The numbers for September are an estimate since the month is not yet over.

She noted there is one staff vacancy and she has just received approval to recruit to fill it.

Chair Littlefield inquired whether she expects to spend the budget linearly through the year or if there are seasonal fluctuations. Ms. Walker said that 87 percent of the \$838,000 budget is for personnel. Rent of the office accounts for another \$75,000. Those expenses do not fluctuate seasonally. Professional training is one significant expense that varies. They have been doing some in-house training in an attempt to keep training costs down. Ms. Walker shared that she would like to use any savings to

buy data analysis and extraction software, which is specialized software used by auditors.

6. Discussion regarding status of current projects

Ms. Walker reported that all current projects are on schedule, despite having one staff vacancy. She will continue to provide monthly updates to the Committee.

Chair Littlefield inquired how long it will take to recruit a new auditor. Ms. Walker replied that since it has already been one month, the position may be vacant for three months. She acknowledged that this could cause the Department to fall behind schedule, but the current audits are progressing smoothly so at this point it is not the problem it might be.

7. Discussion of agenda items for next Audit Committee meeting

Ms. Walker reviewed the items for the next meeting. Recruitment of the City Treasurer was included on the draft agenda in case it was needed. A quarterly report for the office's taxpayer problem resolution officer function is scheduled. Finally the draft agenda includes the executive session for reviewing applications for the City Attorney position.

She added that she has compiled a list of Audit Committee meeting dates for the rest of 2009 and into 2010. These are scheduled for the fourth Monday of the month. An extra executive session is scheduled for Monday, November 2 in connection with the City Attorney recruitment. At this point, it looks like the Audit Committee will not need to meet in December.

Committee Member Klapp said it would be helpful for Committee Members to receive the City Attorney applications ahead of time. Ms. Walker offered to check with Ms. Parker Diggs that this will stay on schedule. The recruitment plan shows the Committee receiving the resumés and applications by October 19.

Chair Littlefield reminded everyone that the names of applicants will not be made public until three finalists are picked.

Committee Member Borowsky mentioned a scheduling conflict she has with the fourth Monday of the month and requested that the Committee meet on the first or third Monday instead. Discussion ensued and it was the consensus of the Committee to hold their regular monthly meeting on the third Monday of each month. Ms. Walker pointed out that if the Committee changes the regular meeting, Ms. Parker Diggs would need notice that the October 26 meeting is being rescheduled because it affects the City Attorney recruitment plan. After discussion, the Committee Members tentatively agreed to move the October meeting from Monday, October 26 to Wednesday, October 21 rather than Monday, October 19. Ms. Walker will check with Ms. Parker Diggs to be sure this is acceptable, and ask for the revised recruitment plan to be provided to the Committee Members.

Public Comment

No members of the public wished to address the Committee.

Adjournment

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 4:36 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz